

106TH CONGRESS
2D SESSION

H. R. 4676

To amend the Internal Revenue Code of 1986 to encourage the timely development of a more cost effective United States commercial space transportation industry, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 2000

Mr. COOK introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to encourage the timely development of a more cost effective United States commercial space transportation industry, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Space Transportation Investment Act of 2000”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

Sec. 3. Purposes.

Sec. 4. Definitions.

Sec. 5. Credit for purchase of space transportation vehicle provider stock.

Sec. 6. United States commercial space transportation vehicle certification.

1 **SEC. 2. FINDINGS.**

2 The Congress hereby finds that:

3 (1) The United States commercial space trans-
4 portation industry is an essential part of the na-
5 tional economy and opportunities for United States
6 commercial providers are growing as international
7 markets expand.

8 (2) The development of the United States com-
9 mercial space transportation industry is consistent
10 with the national security interests and foreign pol-
11 icy interests of the United States.

12 (3) United States trading partners have been
13 able to lower their commercial space transportation
14 prices aggressively either through direct cash pay-
15 ments for commercially targeted product develop-
16 ment or with indirect benefits derived from non-
17 market economy status.

18 (4) Because United States incentives for space
19 transportation development have historically focused
20 on civil and military rather than commercial use,
21 United States space transportation costs have re-
22 mained comparatively high, and United States space
23 transportation technology has not been commercially
24 focused.

1 (5) As a result, the United States share of the
2 world commercial market for space transportation
3 has decreased from nearly 100 percent 20 years ago
4 to approximately 47 percent in 1998.

5 (6) In order to avoid undue reliance on foreign
6 space transportation services, the United States
7 must strive to have sufficient domestic capacity as
8 well as the highest quality and the lowest cost per
9 service provided.

10 (7) A successful high quality, lower cost United
11 States commercial space transportation industry
12 should also lead to substantial United States tax-
13 payer savings through collateral lower United States
14 Government costs for its space access requirements.

15 (8) Opening the space frontier to the American
16 people must be a high priority of the United States
17 Government as we begin the 21st century.

18 (9) Opening this frontier and maintaining
19 United States leadership in the world market does
20 not require another massive Government program,
21 but rather provision of just enough Government sup-
22 port on an incremental and timely basis to enable
23 the more cost effective United States private sector
24 to build lower cost space transportation vehicles.

1 (10) Private sector companies across the United
2 States are already attempting to develop a variety of
3 lower cost space transportation vehicles, but lack of
4 sufficient private financing, particularly in the early
5 stages of development, has proven to be a major ob-
6 stacle, an obstacle our trading partners have re-
7 moved by providing direct access to Government
8 funding.

9 (11) Given the strengths and creativity of pri-
10 vate industry in the United States, a more effective
11 alternative to the approach of our trading partners
12 is for the United States Government to provide lim-
13 ited incentives industry wide to help qualifying
14 United States private sector companies obtain other-
15 wise unavailable private equity financing for the crit-
16 ical development stages of a project, while at the
17 same time keeping Government involvement at a
18 minimum.

19 **SEC. 3. PURPOSES.**

20 The purposes of this Act are—

21 (1) to ensure availability of otherwise unavail-
22 able private sector equity financing for United
23 States private sector development of commercial
24 space transportation vehicles which will have trans-
25 portation costs significantly below current levels; and

1 (2) as a result—

2 (A) to avoid undue reliance on foreign
3 space transportation services;

4 (B) to reduce substantially United States
5 Government space transportation expenditures;

6 (C) to increase the international competi-
7 tiveness of the United States space industry;

8 (D) to encourage the growth of space-re-
9 lated commerce in the United States and inter-
10 nationally; and

11 (E) to open the space frontier to the
12 American people.

13 **SEC. 4. DEFINITIONS.**

14 In this Act:

15 (1) SECRETARY.—The term “Secretary” means
16 the Secretary of Transportation.

17 (2) SPACE LAUNCH SITE.—The term “space
18 launch site” means a location from which a launch
19 or landing takes place and includes all facilities lo-
20 cated on, or components of, a launch or landing site,
21 whether real or personal property, which are nec-
22 essary to conduct a launch, whether on land, sea, in
23 the Earth’s atmosphere, or beyond the Earth’s at-
24 mosphere.

1 (3) SPACE TRANSPORTATION VEHICLE.—The
2 term “space transportation vehicle” includes all
3 types of vehicles, whether now in existence, devel-
4 oped in the future, or currently under design, devel-
5 opment, construction, reconstruction, or recondi-
6 tioning; constructed in the United States by a
7 United States commercial provider and owned by the
8 commercial provider, for the purpose of operating in,
9 or transporting a payload to, from, or within, outer
10 space, or in suborbital trajectory, and includes any
11 component of such vehicle not specifically designed
12 or adapted for a payload.

13 (4) STATE.—The term “State” means any
14 State in the United States, the District of Columbia,
15 the Commonwealth of Puerto Rico, the Virgin Is-
16 lands, Guam, American Samoa, the Commonwealth
17 of the Northern Mariana Islands, and any other
18 commonwealth, territory, or possession of the United
19 States.

20 (5) UNITED STATES COMMERCIAL PROVIDER.—
21 The term “United States commercial provider”
22 means—

23 (A) a commercial provider organized under
24 the laws of the United States or of a State as

1 a corporation or a Limited Liability Company
2 (LLC), or

3 (B) a subsidiary of a foreign company and
4 the Secretary of Transportation finds that—

5 (i) such subsidiary has in the past evi-
6 denced a substantial commitment to the
7 United States market through—

8 (I) investments in the United
9 States in long-term research, develop-
10 ment, and manufacturing (including
11 the manufacture of major components
12 and subassemblies); and

13 (II) significant contributions to
14 employment in the United States; and

15 (ii) the country or countries in which
16 such foreign company is incorporated or
17 organized and, if appropriate, in which it
18 principally conducts its business, afford re-
19 ciprocal treatment to companies described
20 in subparagraph (A) comparable to that
21 afforded to such foreign company's sub-
22 sidiary in the United States, as evidenced
23 by—

24 (I) providing comparable oppor-
25 tunities for companies described in

1 subparagraph (A) to participate in
 2 Government-sponsored research and
 3 development similar to that authorized
 4 under this Act;

5 (II) providing no barriers to com-
 6 panies described in subparagraph (A)
 7 with respect to local investment op-
 8 portunities that are not provided to
 9 foreign companies in the United
 10 States; and

11 (III) providing adequate and ef-
 12 fective protection for the intellectual
 13 property rights of companies de-
 14 scribed in subparagraph (A).

15 (6) UNITED STATES COMMERCIAL SPACE
 16 TRANSPORTATION VEHICLE PROVIDER.—The term
 17 “United States commercial space transportation ve-
 18 hicle provider” means a United States commercial
 19 provider engaged in designing, developing, pro-
 20 ducing, or operating commercial space transpor-
 21 tation vehicles.

22 (7) UNITED STATES COMMERCIAL SPACE
 23 TRANSPORTATION VEHICLE INDUSTRY.—The term
 24 “United States commercial space transportation ve-

hicle industry” means the collection of United States commercial space transportation vehicle providers.

(8) SPACE TRANSPORTATION COSTS SIGNIFICANTLY BELOW CURRENT LEVELS.—The term “space transportation costs significantly below current levels” means, for that market segment for which, or in which, the space transportation vehicle is designed, developed, produced, maintained, or operated, the cost of producing, maintaining, and operating the vehicle is 50 percent of the 2000 space transportation costs in that market segment as estimated by the Secretary.

SEC. 5. CREDIT FOR PURCHASE OF SPACE TRANSPORTATION VEHICLE PROVIDER STOCK.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to credits against tax) is amended by adding at the end the following new subpart:

“Subpart H—Space Transportation Credit

“SEC. 54. CREDIT FOR PURCHASE OF SPACE TRANSPORTATION VEHICLE PROVIDER STOCK.

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable

percentage of the aggregate amount paid during the taxable year for the purchase of qualified space transportation vehicle provider stock.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage is the percentage determined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001	50
2002	40
2003	30
2004 and 2005	20
2006 through 2010	10
2011 and thereafter	0.

“(b) MAXIMUM CREDIT.—The credit allowed under this section with respect to the stock of each space transportation vehicle provider purchased during a calendar year shall not exceed—

“(1) \$35,000,000 for 2001,

“(2) \$40,000,000 for 2002,

“(3) \$45,000,000 for 2003, and

“(4) \$50,000,000 for each of 2004 through 2010.

“(c) QUALIFIED SPACE TRANSPORTATION VEHICLE PROVIDER STOCK.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified space transportation vehicle provider stock’ means any

1 common stock in a C corporation or any stock in a
2 State-registered limited liability company (LLC) if—

3 “(A) as of the date of issuance, such cor-
4 poration is a qualified space transportation ve-
5 hicle provider;

6 “(B) such stock is acquired by the tax-
7 payer at its original issue (directly or through
8 an underwriter) in exchange for money or other
9 property (not including stock); and

10 “(C) the proceeds of such issue are used
11 by such issuer during the 36-month period be-
12 ginning on the date of issuance in substantial
13 compliance with the issuer’s projected usage
14 submitted to the Secretary of Transportation
15 under section 6 of such Act with its application
16 for certification.

17 “(2) QUALIFIED SPACE TRANSPORTATION VEHI-
18 CLE PROVIDER.—The term ‘qualified space transpor-
19 tation vehicle provider’ means any United States
20 commercial space transportation vehicle provider (as
21 defined in section 4 of the Space Transportation In-
22 vestment Act of 2000) which has been certified by
23 the Secretary of Transportation as provided in sec-
24 tion 6 of such Act.

1 “(d) RECAPTURE OF CREDIT WHERE ISSUER
2 CEASES TO BE QUALIFIED.—If, during the 3-year period
3 beginning on the date qualified space transportation vehi-
4 cle provider stock was purchased by the taxpayer, the
5 issuer of such stock ceases to meet the requirements of
6 section 6 of such Act, then notwithstanding any provision
7 of this subtitle, the tax credits shall be recaptured and
8 the taxpayer shall add said amount to the tax liability of
9 the taxpayer during the taxable year during which such
10 cessation occurs.

11 “(e) APPLICATION WITH OTHER CREDITS.—The
12 credit allowed under subsection (a) for any taxable year
13 shall not exceed the excess of—

14 “(1) the sum of the regular tax liability (as de-
15 fined in section 26(b)) plus the tax imposed by sec-
16 tion 55, over

17 “(2) the sum of the credits allowable under this
18 part (other than subpart C thereof, relating to re-
19 fundable credits).”

20 (b) CLERICAL AMENDMENT.—The table of subparts
21 for part IV is amended by adding at the end the following
22 new item:

“Subpart H. Space transportation credit.”

1 **SEC. 6. UNITED STATES COMMERCIAL SPACE TRANSPOR-**
2 **TATION VEHICLE CERTIFICATION.**

3 (a) UNITED STATES COMMERCIAL SPACE TRANS-
4 PORTATION VEHICLE INDUSTRY CERTIFICATION PRO-
5 GRAM.—

6 (1) ESTABLISHMENT OF PROGRAM.—There
7 shall be a United States Commercial Space Trans-
8 portation Vehicle Industry certification program to
9 provide certification for tax credit qualification
10 under section 54 of the Internal Revenue Code of
11 1986 to multiple United States commercial space
12 transportation vehicle providers developing vehicles
13 with space transportation costs significantly below
14 current levels.

15 (2) ADMINISTRATION OF PROGRAM.—The pro-
16 gram shall be carried out by the Secretary of Trans-
17 portation under a streamlined application process
18 pursuant to the terms of this section and any regu-
19 lations that may be promulgated hereunder, in con-
20 sultation with other United States Government offi-
21 cials, and private sector representatives, as nec-
22 essary, to ensure fair, effective, and timely program
23 administration and streamlined certification.

24 (3) SCOPE OF PROGRAM.—

25 (A) TEMPORARY GOVERNMENT SUP-
26 PORT.—The United States Commercial Space

1 Transportation Vehicle Industry Certification
2 program is intended to provide eligibility for tax
3 credits under section 54 of the Internal Rev-
4 enue Code of 1986 to investors to support fi-
5 nancing of qualified commercial space transpor-
6 tation vehicle development ventures during their
7 startup phases.

8 (B) EXCLUSION OF SPACE LAUNCH
9 SITES.—The program does not provide certifi-
10 cation pertaining to the construction, recon-
11 struction, or reconditioning of space launch
12 sites.

13 (C) EXCLUSION OF NONRELATED ACTIVI-
14 TIES.—The program does not provide certifi-
15 cation for any corporation which includes in its
16 operations and/or business plan, the construc-
17 tion, reconstruction, reconditioning, sale, or dis-
18 tribution of any product which is not integral to
19 the design, development, construction, recon-
20 struction, or reconditioning of a space transpor-
21 tation vehicle or vehicles as described in sub-
22 section (b).

23 (4) NONDISCLOSURE OF CONFIDENTIAL MATE-
24 RIALS.—Materials that are submitted by a United
25 States commercial space transportation vehicle pro-

1 vider to the Secretary in connection with an applica-
2 tion submitted under the United States Commercial
3 Space Transportation Vehicle certification program
4 and deemed by the commercial provider to be con-
5 fidential, and that contain trade secrets or propri-
6 etary commercial, financial, or technical information
7 of a kind not customarily disclosed to the public,
8 shall not be disclosed by the Secretary to persons
9 other than Government officers or employees not-
10 withstanding any other provision of law.

11 (5) CONSULTATION.—The Secretary shall con-
12 sult to the extent deemed necessary for effective im-
13 plementation of the Act with appropriate Federal
14 agencies, congressional, and space transportation in-
15 dustry representatives.

16 (6) PROGRAM MANAGEMENT.—The Secretary
17 shall manage the certification program consistent
18 with the purposes of this Act.

19 (b) AUTHORIZATION OF SECRETARY TO CERTIFY
20 VEHICLE PROVIDERS.—

21 (1) IN GENERAL.—The Secretary shall certify
22 vehicle providers who demonstrate by the submission
23 of technical and financial information that they have
24 a reasonable possibility of developing, operating, or
25 maintaining a space transportation vehicle or vehi-

1 cles with space transportation costs significantly
2 below current levels. Authorization by the Secretary
3 is deemed granted unless within 120 days of applica-
4 tion submission the Secretary determines that the
5 provider has no reasonable possibility of significantly
6 lowering space transportation costs. Once certified, a
7 vehicle provider must submit to the Secretary each
8 year a certified audit opinion letter verifying its use
9 of funds in substantial compliance with its applica-
10 tion.

11 (2) CONSEQUENCE OF FAILURES.—

12 (A) Failure to submit a certified audit
13 opinion letter verifying substantial compliance
14 with its application will result in decertification
15 of the vehicle provider.

16 (B) Failure to use funds received after cer-
17 tification for the development of a space trans-
18 portation vehicle or vehicles with the goal to re-
19 duce space transportation costs significantly
20 below current levels will result in decertifica-
21 tion.

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